

**LETTER FROM THE AUDITOR OF PUBLIC ACCOUNTS
DEPARTMENT OF LABOR**

**In Reference to the Statewide Single Audit
of the Commonwealth of Kentucky**

For the Year Ended June 30, 2004



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

CONTENTS

MANAGEMENT LETTER	1
LIST OF ABBREVIATIONS/ACRONYMS.....	2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	3
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	4



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

Lajuana S. Wilcher, Secretary
Environmental and Public Protection Cabinet
Department of Labor

MANAGEMENT LETTER

Pursuant to KRS 43.090 (1), which states, "[i]mmediately upon completion of each audit and investigation, except those provided for in KRS 43.070, the Auditor shall prepare a report of his findings and recommendations," we are providing this letter to the Department of Labor to comply with KRS 43.090.

The work completed on the Department of Labor is part of the overall opinions included in the audit of the Commonwealth of Kentucky's Statewide Single Audit Report. Findings and recommendations for agencies, if applicable, audited as part of the Single Audit can be found in the Statewide Single Audit Report. This report can be obtained on our website at www.auditor.ky.gov.

Included in the Department of Labor's letter are the following:

- ◆ Acronym List
- ◆ Schedule of Expenditures of Federal Awards
- ◆ Notes to the Schedule of Expenditures of Federal Awards

Thank you for the cooperation shown our audit staff during the course of your audit. If you have any questions, please contact David Pitts, Audit Manager, at (502) 573-0050 or email at David.Pitts@auditor.ky.gov, or me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

February 28, 2005



LIST OF ABBREVIATIONS/ACRONYMS

CFDA	Catalog of Federal Domestic Assistance
Commonwealth	Commonwealth of Kentucky
KRS	Kentucky Revised Statutes
NA	Not Applicable
OMB	Office of Management and Budget

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

CFDA # Program Title	Expenditures		Provided to Subrecipient
	Cash	Noncash	
DEPARTMENT OF LABOR			
U.S. Department of Labor			
Direct Programs:			
17.005 Compensation and Working Conditions	\$	117,715	
17.503 Occupational Safety and Health-State Program		3,403,576	
17.504 Consultation Agreements		24,763	
TOTAL DEPARTMENT OF LABOR	\$	3,546,054	

See accompanying Notes to the Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Note 1 - Purpose of the Schedule and Significant Accounting Policies

Basis of Presentation - OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a Schedule of Expenditures of Federal Awards showing each federal financial assistance program as identified in the *Catalog of Federal Domestic Assistance*. The accompanying schedule includes all federal grant activity for the Commonwealth, except those programs administered by state universities, and is presented primarily on the basis of cash disbursements as modified by the application of Kentucky Revised Statute (KRS) 45.229. Consequently, certain expenditures are recorded in the accounts only when cash is disbursed. The Commonwealth elected to exclude state universities from the statewide single audit, except as part of the audit of the basic financial statements.

KRS 45.229 provides that the Finance and Administration Cabinet may, “for a period of thirty (30) days after the close of any fiscal year, draw warrants against the available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during that year or in fulfillment of contracts properly made during the year, but for no other purpose.” However, there is an exception to the application of KRS 45.229 in that regular payroll expenses incurred during the last pay period of the fiscal year are charged to the next year.

The basic financial statements of the Commonwealth are presented on the modified accrual basis of accounting for the governmental fund financial statements and the accrual basis of accounting for the government-wide, proprietary fund, and fiduciary fund financial statements. Therefore, the schedule may not be directly traceable to the basic financial statements in all cases.

Programs that do not have CFDA numbers are identified using the two-digit federal identifier prefix, and the letters “NA” to denote that no specific number is applicable. Each program is numbered in parentheses, following the NA for each federal grantor.

The state agencies’ schedule is presented on the cash, modified cash, or accrual basis of accounting.

Inter-Agency Activity - Certain transactions relating to federal financial assistance may appear in the records of more than one (1) state agency. To avoid the overstatement of federal expenditures, the following policies were adopted for the presentation of the schedule:

- (a) Federal moneys may be received by a state agency and passed through to another state agency where the moneys are expended. Except for pass-throughs to state universities as discussed below, this inter-agency transfer activity is reported by the agency expending the moneys.

State agencies that pass federal funds to state universities report those amounts as expenditures.

- (b) Federal moneys received by a state agency and used to purchase goods or services from another state agency are reported in the schedule as an expenditure by the purchasing agency only.

